

MARCH 2014

New college degree in hand: now what?

Monica Gabor

With high hopes, college graduates switch the tassels on their mortarboards from the right side to the left side. But will new college graduates' high hopes—and expectations—for good jobs come true?

In their 2014 article, "[Are recent college graduates finding good jobs?](#)" (Federal Reserve Bank of New York, *Current Issues in Economics and Finance*), Jaison R. Abel, Richard Deitz, and Yaqin Su look at the job prospects for recent graduates, as well as whether the choice of a college major makes a difference in how newly minted graduates fare in the labor market.

In this study, recent college graduates are defined as those who have earned at least a bachelor's degree and are 22 to 27 years old. Examining employment statistics from the Bureau of Labor Statistics and the Census Bureau through the historical perspective of the last two decades (including the 1990–1991 and 2001 recessions and the Great Recession of 2007–2009), the authors compared the unemployment rate for recent college graduates with the unemployment rates for all workers ages 16 to 65, all college graduates, and young workers ages 22 to 27 without college degrees.

Although it generally is acknowledged that a college education is a sound investment, a trend is that recent graduates experience consistently higher unemployment than do other college graduates. After the Great Recession, the unemployment rate of recent graduates peaked in 2010 at about 7 percent versus 5 percent for all college graduates. However, young workers in general face job market challenges, and these are exacerbated by recessions: in 2010 the unemployment rate for young workers without a degree was almost 16 percent.

A focus of the study was the underemployment of recent college graduates. "Underemployed" is defined as working in jobs that do not require a college degree. The authors calculated underemployment rates by merging data for job-related requirements from the U.S. Department of Labor Occupational Information Network (O*Net) with data from the decennial census, American Community Survey, and the Current Population Survey. Then the authors divided the jobs that don't require a college degree into "good jobs" and "low-paying jobs." The outlook for recent college graduates proved bleak. The underemployment rate for new college graduates has risen substantially since 2000, with a growing number of graduates accepting jobs that are part time or low paying jobs or both. Steadily rising, the underemployment rate for recent graduates increased from 34 percent in 2001 to 44 percent by 2012.

The study also found the choice of college majors noteworthy. With the use of data from the American Community Survey, 13 undergraduate majors were linked to unemployment and underemployment figures for 2009 to 2011 to determine which, if any, college majors foretold good job prospects.

Unemployment rates across majors ranged from 3 percent to 8 percent during that time period, with health and education majors having the lowest unemployment rates at 3 percent and 4 percent, respectively (likely reflecting recent growth in these fields). On the other hand, the unemployment rate for architecture and construction majors was 8 percent. (Liberal arts and social sciences majors also fared poorly, with unemployment rates at 7 percent to 8 percent.)

Graduates whose major provided technical training (such as engineering) had the best chance of getting jobs that *required* a degree, thus increasing salary potential. Conversely, graduates with a major

in leisure and hospitality tended to have low unemployment but also tended to have jobs that do not require a degree, so their salary potential was generally low.

At the end of their article, the authors suggest that perhaps it would benefit all if higher education institutions partnered with businesses and employers to ensure that students learn what majors would help them in improving their prospects for good quality jobs following graduation.

The authors conclude that while it has not been uncommon for new college graduates—at any time during the last 20 years—to find themselves unemployed or underemployed, recent graduates are having a hard time finding good jobs. In many cases, good-paying, full-time job scenarios have deteriorated. Especially since the 2001 recession, those looking for work are experiencing longer unemployment and greater underemployment—likely resulting in *permanent* damage to lifetime earnings.